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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
ELECTRIC POWER COMPANY FOR § OF FILING CLERK
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

**DIRECT TESTIMONY AND EXHIBITS OF JAMES W. DANIEL
ON BEHALF OF NUCOR STEEL LONGVIEW, LLC**

COMES NOW, Nucor Steel Longview, LLC, a division of Nucor Corporation, and files
the Direct Testimony and Exhibits of James W. Daniel on behalf of Nucor Steel Longview, LLC.

Respectfully submitted,

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**AUTHORIZED REPRESENTATIVES FOR
NUCOR STEEL LONGVIEW, LLC**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was
served via electronic transmission, hand delivery and/or U.S. mail to all parties of record this
31st day of March 2021.

/s/ Joseph R. Briscar

Joseph R. Briscar

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NUCOR STEEL LONGVIEW, LLC

MARCH 31, 2021

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF DIRECT TESTIMONY	4
III.	SWEPCO'S PROPOSED CUSTOMER CLASS REVENUE DISTRIBUTION	6
IV.	PROPER BASE RATE INCREASES	14
V.	CORRECTION TO SWEPCO'S COST OF SERVICE STUDY.....	15
VI.	NUCOR'S RECOMMENDED REVENUE DISTRIBUTION	16
VII.	SUMMARY AND CONCLUSIONS	17

EXHIBITS

JWD-1	List of Testimony, Affidavits, and Expert Reports Presented in Regulatory and Court Proceedings by James W. Daniel
JWD-2	Historical Class Relative Rates of Return
JWD-3	SWEPCO's Response to Nucor RFI No. 5-2
JWD-4	Nucor's Revised Calculation of SWEPCO's Proposed Base Revenues Increases
JWD-5	SWEPCO's Response to Nucor RFI No. 3-20
JWD-6	Nucor's Recommended Revenue Distribution
JWD-7	Comparison of Relative Rates of Return Under SWEPCO's and Nucor's Proposed Revenue Distributions

DIRECT TESTIMONY AND EXHIBITS OF JAMES W. DANIEL

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas 78701.

Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.

A. I received the degree of Bachelor of Science from the Georgia Institute of Technology in 1973 with a major in economics.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am an Executive Consultant of the firm GDS Associates, Inc. ("GDS").

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

A. From July 1974 through September 1979 and from August 1983 through February 1986, I was employed by Southern Engineering Company. During that time, I participated in the preparation of economic analyses regarding alternative power supply sources and generation and transmission feasibility studies for rural electric cooperatives. I participated in wholesale and retail rate and contract negotiations with investor-owned and publicly-owned utilities, prepared cost of service studies on investor-owned and publicly-owned utilities, and prepared and submitted testimony and exhibits in utility rate and other regulatory proceedings on behalf of publicly-owned utilities, industrial customers, associations, and government agencies. From October 1979 through July 1983, I was employed as a public utility consultant by R.W. Beck and Associates. During that time, I participated in rate studies for publicly-owned electric, gas, water and wastewater utilities.

1 My primary responsibility was the development of revenue requirements, cost of service
2 studies, and rate design studies as well as the preparation and submittal of testimony and
3 exhibits in utility rate proceedings on behalf of publicly-owned utilities, industrial
4 customers and other customer groups. Since February 1986, I have held the position of
5 Manager of GDS's office in Austin, Texas. In April 2000, I was elected as a Vice President
6 of GDS. While at GDS, I have provided testimony in numerous regulatory proceedings
7 involving electric, natural gas, and water utilities, and I have participated in generic
8 rulemaking proceedings. I have prepared retail rate studies on behalf of publicly-owned
9 utilities, and I have prepared utility valuation analyses. I have also prepared economic
10 feasibility studies, and I have procured and contracted for wholesale and retail energy
11 supplies.

12 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

13 A. I have testified many times before regulatory commissions. I have submitted testimony
14 before the following state regulatory authorities: the Public Utility Commission of Texas
15 ("Commission"), the Texas Commission on Environmental Quality, the Texas Railroad
16 Commission, the Regulatory Commission of Alaska, the Arkansas Public Service
17 Commission, the Arizona Corporation Commission, the Delaware Public Service
18 Commission, the Florida Public Service Commission, the Georgia Public Service
19 Commission, the Illinois Commerce Commission, the State Corporation Commission of
20 Kansas, the Louisiana Public Service Commission, the New Mexico Public Service
21 Commission, the Oklahoma Corporation Commission, the Oregon Public Utility
22 Commission, the Pennsylvania Public Utility Commission, the South Dakota Public
23 Utilities Commission, the Virginia State Corporation Commission, and the Public Service

1 Commission of West Virginia. I have also testified before the Federal Energy Regulatory
2 Commission ("FERC") and two Condemnation Courts appointed by the Supreme Court of
3 Nebraska. I also have submitted an expert opinion report before the United States Tax
4 Court on utility issues. A list of regulatory proceedings in which I have presented expert
5 testimony is provided as Exhibit JWD-1.

6 **Q. WOULD YOU PLEASE DESCRIBE GDS?**

7 A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin, Texas;
8 Auburn, Alabama; Manchester, New Hampshire; Madison, Wisconsin; and Orlando,
9 Florida. GDS has over 185 employees with backgrounds in engineering, accounting,
10 management, economics, finance, and statistics. GDS provides rate and regulatory
11 consulting services in the electric, natural gas, water, storm, and telephone utility
12 industries. GDS also provides a variety of other services in the electric utility industry
13 including power supply planning, generation support services, energy procurement and
14 contracting, energy efficiency program development, financial analysis, load forecasting,
15 and statistical services. Our clients are primarily privately-owned utilities, publicly owned
16 utilities, municipalities, customers of investor-owned utilities, groups or associations of
17 customers, and government agencies.

18 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

19 A. I am testifying on behalf of Nucor Steel Longview, LLC ("Nucor"), a division of Nucor
20 Corporation. Nucor owns and operates a steelmaking facility in the Longview, Texas area
21 and is a large industrial customer of Southwestern Electric Power Company ("SWEPCO"
22 or "Company"). Nucor receives service under SWEPCO's Metal Melting Service-

1 Transmission ("MMS-T") rate schedule and Lighting and Power-Primary ("LP-P") rate
2 schedule.

3 **II. PURPOSE OF DIRECT TESTIMONY**

4 **Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?**

5 A. My assignment was to review and analyze the rate case Application of SWEPCO and the
6 direct testimony of certain SWEPCO witnesses. In addition, I was to review issues 52, 53,
7 55, and 58 of the Preliminary Order.

8 **Q. WHAT ARE PRELIMINARY ORDER ISSUES 52, 53, 55, AND 58?**

9 A. As stated in the Preliminary Order, these issues are:

10 52. What are the just and reasonable rates calculated in accordance with PURA
11 and Commission rules? Do the rates comport with the requirements in
12 PURA § 36.003?

13 53. What are the appropriate rate classes for which rates should be determined?
14 Is SWEPCO proposing any new rate classes? If so, why are these new rate
15 classes needed?

16 55. What are appropriate allocations of SWEPCO's revenue requirement to
17 jurisdictions, functions, and rate classes?

18 a. What is the appropriate allocation of SWEPCO's expenses,
19 invested capital, and revenue to Texas retail customers?

20 b. Does SWEPCO have any customer-specific contracts for the
21 provision of transmission or distribution service? If so, identity each
22 customer, and state whether the contract has been presented to the
23 Commission for approval, and if so, in what docket. In addition, has
24 SWEPCO appropriately allocated revenues and related costs
25 associated with such contracts? Do all allocation factors properly
26 reflect the types of costs allocated?

27 c. What are the appropriate allocations of SWEPCO's transmission
28 investment, expenses, and revenues, including transmission

1 expenses and revenues under FERC-approved tariffs, among
2 jurisdictions?

- 3 d. Does SWEPCO have any FERC-approved tariffs? If so, identify
4 each tariff and the FERC docket in which the tariff was approved.
5 What are the appropriate allocations of SWEPCO's transmission
6 investment, expenses, and revenues, including transmission
7 expenses and revenues under those tariffs? Has SWEPCO made
8 appropriate allocations for import to and exports from the Electric
9 Reliability Council of Texas (ERCOT)?

10 58. Are all rate classes at unity? If not, what is the magnitude of the deviation,
11 and what, if anything should be done to address the lack of unity?

12 **Q. WOULD YOU PLEASE SUMMARIZE THE RESULTS OF YOUR REVIEW AND**
13 **ANALYSIS?**

14 A. Yes. Based upon my review and analysis, I have reached the following conclusions and
15 recommendations:

- 16 (1) SWEPCO's proposed revenue increase distribution to the rate classes will
17 prolong significant levels of inter-class subsidies.
18
19 (2) SWEPCO's proposed revenue distribution methodology is inconsistently
20 applied, is mostly unnecessary, and causes perverse results.
21
22 (3) SWEPCO's proposed revenue increase distribution should be rejected by
23 the Commission.
24
25 (4) Gradualism should only be applied for three relatively small rate classes
26 which reduces SWEPCO's proposed inter-class subsidies from \$6,047,984
27 to \$421,839.
28
29 (5) For purposes of determining the distribution of the proposed or approved
30 revenue increase, the current base rate revenues should include the
31 Transmission Cost Recovery Factor ("TCRF") and Distribution Cost
32 Recovery Factor ("DCRF") revenues.
33
34 (6) The functionalization of the line transformers costs in SWEPCO's class cost
35 of service study assigns too much line transformers costs as primary
36 distribution voltage related and should be corrected.

(7) Nucor's proposed revenue distribution methodology should be approved.

III. SWEPCO'S PROPOSED CUSTOMER CLASS REVENUE DISTRIBUTION

Q. PLEASE EXPLAIN WHAT IS MEANT BY A CUSTOMER CLASS REVENUE DISTRIBUTION?

A. The customer class revenue distribution is the determination of how a utility's total revenue increase is to be distributed to the customer classes. If customer class revenue levels are to be set equal to the cost of serving each customer class, then the revenue increase (or decrease) for each customer class is based on the approved class cost of service study. In some instances, factors other than cost of service are considered, and the revenue distribution will vary from the class cost of service study results.

Q. PLEASE EXPLAIN HOW SWEPCO IS PROPOSING TO DISTRIBUTE ITS PROPOSED REVENUE INCREASE TO THE CUSTOMER CLASSES.

A. SWEPCO's proposed revenue distribution to the customer classes is described in the direct testimony of SWEPCO witness Jennifer Jackson at page 9, line 15, through page 12, line 11. In this testimony, SWEPCO states that "ideally" all rate class revenue levels should be set equal to the rate class's cost of service.¹ However, SWEPCO is considering factors other than cost of service for its proposed revenue distribution.² These other factors are moderation of customer impacts and customer migration.³

SWEPCO's moderation or gradualism methodology is applied by grouping several rate classes into customer groups or major classes ("Groups"). The rate classes included in each Group all receive the same base rate revenue percent increase. For example, for

¹ SWEPCO Direct Testimony of Jennifer L. Jackson at 10, lines 10-13.

² *Id.*

³ *Id.*

1 revenue distribution purposes there is a single Commercial and Industrial (“C&I”) major
2 class (i.e., Group) consisting of all of the following customer classes: General Service,
3 Lighting and Power, Large Lighting and Power, Metal Melting, Oil Field, and Cotton Gin
4 customer classes. All the rate classes included in this major class or Group receive the
5 same 32.98% base rate increase.

6 Witness Jackson’s direct testimony does not explain or support how SWEPCO
7 considered customer mitigation in developing its proposed revenue distribution.

8 The results of SWEPCO’s proposed revenue distribution are shown on page 12 of
9 witness Jackson’s direct testimony and on her Exhibit JLJ-1.

10 **Q. DO YOU AGREE WITH SWEPCO’S PROPOSED REVENUE DISTRIBUTION?**

11 A. No. There are several problems or flaws with SWEPCO’s proposed revenue distribution.

12 These problems or flaws include the following:

- 13 (1) Historically, SWEPCO’s revenue distribution methodology has not fixed
14 the inter-class subsidy problem; it has perpetuated the subsidy problem.
- 15 (2) Under SWEPCO’s proposed revenue distribution, some customer classes’
16 proposed revenues move farther from its cost of service, rather than closer.
- 17 (3) SWEPCO’s use of Groups of customer classes to determine percent
18 increases for several rate classes limits the ability to move individual rate
19 classes closer to their cost of service.
- 20 (4) In this case, SWEPCO’s proposed revenue distribution retains significant
21 inter-class subsidies.
- 22 (5) There is no logical basis for SWEPCO’s Groups of customer classes which
23 include extremely different customer sizes, types, load characteristics, and
24 rate structures.
- 25 (6) Regarding its “lighting” Group, SWEPCO failed to apply its own
26 gradualism or moderation guidelines.

27
28 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY INTER-CLASS SUBSIDIES?**

1 A. If a rate class's proposed revenue exceeds its allocated cost of service, then that rate class
2 is paying a subsidy (the difference between the proposed revenues and the cost of service)
3 to other rate classes. Similarly, if a rate class's proposed revenues are lower than its
4 allocated cost of service, then that rate class is receiving a subsidy.

5
6 **Q. PLEASE EXPLAIN WHY YOU BELIEVE SWEPCO'S REVENUE**
7 **DISTRIBUTION METHODOLOGY PERPETUATES INTER-CLASS SUBSIDIES.**

8 A. This is the fourth consecutive rate case in which SWEPCO has grouped rate classes into
9 Groups of rate classes and applied the average percent base rate increase for the Group to
10 each rate class in the Group. This approach limits the ability to significantly move a specific
11 customer class closer to its cost of service. As a result, the problem of inter-class subsidies
12 is never fixed.

13 In SWEPCO's previous three rate cases, Docket Nos. 37364, 40443, and 46449,
14 SWEPCO's proposed revenue distributions resulted in the continuation of inter-class
15 subsidies. As shown on my Exhibit JWD-2, under present and proposed revenues in these
16 cases, significant inter-class subsidies exist. The inter-class subsidies are reflected in
17 Exhibit JWD-2 through rate class relative rates of return ("RROR"). An RROR of 1.0
18 represents unity, meaning that a particular class is neither over- nor under-recovering that
19 class's cost of service. An RROR above 1.0 means that a particular class is over-recovering
20 its cost of service, or is subsidizing other classes, and an RROR below 1.0 means that a
21 particular class is under-recovering its cost of service, or is subsidized by other classes.

22 If SWEPCO's proposed revenue distribution is approved, the resulting inter-class
23 subsidies will carry forward to SWEPCO's next rate case. This will likely prolong the
24 inter-class subsidies another 3 to 4 years.

1 **Q. FOR HOW MANY YEARS HAVE SWEPCO'S BASE RATES RESULTED IN**
2 **SIGNIFICANT INTER-CLASS SUBSIDIES?**

3 **A.** For up to 41 years. As shown on Schedules P-1 through P-1.4 of SWEPCO's application
4 in this case, there are significant inter-class subsidies under both SWEPCO's then current
5 rates and proposed rates. This situation is also true for SWEPCO's previous three rate
6 cases. In its prior rate case, Docket No. 46449, several rate class RRORs were significantly
7 above or below unity. This indicates significant inter-class subsidies. The SWEPCO rate
8 case before that, Docket No. 40443, had similar RRORs by rate class that were significantly
9 above or below unity. Docket No. 37364, a SWEPCO rate case filed on August 8, 2009,
10 using a test year ended March 31, 2009, was SWEPCO's first rate case in 25 years (1984).
11 That rate case also had rate class RRORs that were significantly above or below unity. My
12 Exhibit JWD-2 shows the rate class RRORs under then current and proposed revenues in
13 these four SWEPCO rate cases. In addition to the significant RRORs above and below
14 unity by rate classes shown on this Exhibit, it also shows some class's RROR as
15 consistently significantly above or below a unity RROR. Examples of these rate classes
16 are provided below.

17 Table 1

RROR at Current Rates				
	Docket Number			
Customer Class	37364	40443	46449	51415
Cotton Gin	(0.56)	(0.78)	(1.79)	(0.50)
Metal Melting-Transmission	2.40	1.42	6.47	1.94
Public Street & Highway Lighting	(1.21)	(1.41)	(3.05)	(1.50)

1 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING SWEPCO'S**
2 **REVENUE DISTRIBUTION METHODOLOGY AND THE PERPETUAL INTER-**
3 **CLASS SUBSIDIES?**

4 A. Yes. I would comment that the \$6,047,984 in inter-class subsidies resulting from
5 SWEPCO's proposed revenue distribution in this case is greater than what SWEPCO
6 proposed in its previous rate case. In Docket No. 46449, SWEPCO's proposed revenue
7 distribution resulted in inter-class subsidies of \$5,506,625. If SWEPCO's objective is to
8 move rate class revenues closer to cost of service, then under the Company's proposed
9 revenue distribution, one would expect the inter-class subsidies to decrease. Instead the
10 opposite occurs.

11 In addition, in response to Nucor RFI No. 5-2, SWEPCO confirms that its revenue
12 distribution methodology will maintain inter-class subsidies. As stated in that RFI
13 response, applying the average percent base rate increase for the C&I customer Group to
14 the individual rate classes in the Group will "preserve" the rate differences between the rate
15 classes. If the rates of one rate class include a subsidy to another rate class, then the subsidy
16 will continue under SWEPCO's proposed revenue distribution methodology. A copy of
17 this RFI response is provided as Exhibit JWD-3.

18 **Q. HOW DID SWEPCO DECIDE WHICH RATE CLASSES TO GROUP TOGETHER**
19 **FOR REVENUE DISTRIBUTION PURPOSES IN THIS CASE?**

20 A. As explained on page 10, lines 18 through 21, of the direct testimony of SWEPCO witness
21 Jennifer Jackson, "classes with similarly-situated customers were combined into a major
22 rate class."

23 **Q. IN ITS PRIOR RATE CASE, DID SWEPCO ALSO GROUP RATE CLASSES OF**
24 **"SIMILARLY-SITUATED" CUSTOMERS INTO CUSTOMER GROUPS?**

1 A. Yes. However, SWEPCO is *changing* the rate classes included in its C&I Group.
2 SWEPCO does not explain how rate classes that were not treated as “similarly-situated” in
3 their last rate case are now “similarly-situated.”

4 **Q. DO YOU AGREE THAT SWEPCO’S COMBINED COMMERCIAL AND**
5 **INDUSTRIAL MAJOR RATE CLASS IS A GROUP OF “SIMILARLY-**
6 **SITUATED” CUSTOMERS?**

7 A. No. This combined Group of rate classes includes a very diverse Group of customers.
8 Some customers in this “major” customer class or Group receive service at distribution
9 secondary and primary voltages and at transmission voltage. Some customers have
10 seasonal energy requirements while other customers have relatively constant energy
11 requirements throughout the year. One rate class’s average annual energy usage per
12 customer is approximately 6,000 kWh while another rate class’s average annual energy
13 usage per customer is over 136,000,000 kWh. Approximately 35% of the customers in this
14 Group do not even get billed a demand charge.⁴

15 **Q. WHAT IS THE EFFECT OF USING SUCH A DIVERSE GROUP OF**
16 **CUSTOMERS FOR REVENUE DISTRIBUTION PURPOSES?**

17 A. The effect is to mostly ignore the results of the class cost of service study for the individual
18 rate classes.

19 **Q. FOR ITS COMBINED LIGHTING CUSTOMER GROUP DID SWEPCO**
20 **CONSISTENTLY APPLY ITS REVENUE DISTRIBUTION METHODOLOGY?**

21 A. No. SWEPCO combined its Private Outdoor Lighting rate class and its Customer-Owned
22 Lighting rate class into a major lighting Group. The average percent base rate increase
23 needed to move this major lighting Group to its cost of service is 19.41%. Rather than
24 consistently applying this average percent increase to the two rate classes in the lighting

⁴ See SWEPCO Schedule O-1.1
Direct Testimony and Exhibits
of James W. Daniel

1 Group, as was done for gradualism purposes for the major C&I customer Group, SWEPCO
2 is setting each of the lighting rate class's revenues equal to their own cost of service. This
3 results in significantly different percent increases for the two lighting rate classes.
4 SWEPCO is proposing an 18.12% base rate increase for the Private Outdoor Area Lighting
5 class and a 37.76% base rate increase for the Customer-Owned Lighting class. Obviously,
6 SWEPCO has failed to consistently apply its gradualism methodology to the Groups. This
7 failure shows that SWEPCO's proposed revenue distribution is arbitrary and should be
8 rejected.

9 **Q. UNDER SWEPCO'S PROPOSED REVENUE DISTRIBUTION, WHAT IS THE**
10 **AMOUNT OF INTER-CLASS SUBSIDIES?**

11 A. As provided on SWEPCO Exhibit JLJ-1, page 2 of 3, the Company's proposed revenue
12 spread will result in subsidies of \$6,047,984 being paid by a few rate classes to other rate
13 classes. Most of this subsidy, \$5,101,192, is paid to two rate classes: (1) Lighting & Power
14 – Secondary (LP-S), and (2) Large Lighting & Power – Transmission (LLP-T).

15 **Q. ARE SUBSIDIES NECESSARY FOR THESE TWO RATE CLASSES TO**
16 **MODERATE THEIR RATE INCREASES?**

17 A. Not in my opinion and as shown on SWEPCO Exhibit JLJ-1. Under SWEPCO's proposed
18 revenue distribution, these two rate classes will receive a 32.98% base rate increase. If
19 their base rate revenue increase is set at their cost of service, the LP – Secondary rate class
20 would receive a 36.34% increase and the LLP – Transmission rate class would receive a
21 40.86% increase. The 36.34% increase for the LP – Secondary rate class is less than the
22 37.76% base rate increase proposed by SWEPCO for the Customer – Owned Lighting rate
23 class. Presumably, SWEPCO did not believe the 37.67% increase was excessive or
24 burdensome. Similarly, the cost-based 40.86% increase for the LLP-Transmission rate

1 class is less than the 41.88% base rate increase proposed by SWEPCO for the General
2 Service Without Demand rate class. Again, SWEPCO must not have believed that the
3 41.88% increase was excessive or burdensome.

4 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING SWEPCO'S**
5 **PROPOSED LARGE SUBSIDIES TO THESE TWO RATE CLASSES?**

6 A. Yes. As demonstrated above, these proposed rate class subsidies are inconsistent with
7 SWEPCO's treatment of other rate classes. Also, in my opinion, the subsidies are not
8 necessary for gradualism purposes based on SWEPCO Exhibit JLJ-1. While SWEPCO's
9 average base rate increase of 30.31% is high, the cost-based rate increases for these two
10 rate classes is not substantially higher. In fact, their cost-based percent increases are well
11 below previous Commission gradualism guidelines of 1.5 times the system average
12 increase, or 45.47%.

13 **Q. DOES SWEPCO'S PROPOSED REVENUE DISTRIBUTION MOVE ALL RATE**
14 **CLASSES CLOSER TO ITS COST OF SERVICE, I.E., UNITY RROR?**

15 A. No. Contrary to SWEPCO's objective of moving rate class revenue levels closer to their
16 cost of service, the Company's proposed revenue distribution does not accomplish that
17 objective.

18 **Q. UNDER SWEPCO'S PROPOSED REVENUE DISTRIBUTION, DO SOME**
19 **CUSTOMER CLASS RROR'S GO FROM BELOW UNITY TO ABOVE UNITY,**
20 **OR VICE VERSA?**

21 A. Yes. As shown on SWEPCO Exhibit JLJ-1, this occurs for five rate classes. Based upon
22 my experience, this is an unusual result. The revenue distribution should move a rate
23 class's RROR to 1.0, or unity, but not from below unity to above unity or from above unity
24 to below unity.

1 IV. PROPER BASE RATE INCREASES

2 Q. HOW DID SWEPCO CALCULATE ITS PROPOSED RATE CLASS BASE RATE
3 REVENUE AND PERCENT INCREASES?

4 A. The revenue and percent base rate increases shown on Exhibit JLJ-1, page 2 of 3, are based
5 on SWEPCO's current and proposed base rates.

6 Q. DOES THIS COMPARISON PRESENT THE CURRENT AND PROPOSED BASE
7 RATE REVENUES ON A COMPARABLE BASIS?

8 A. No. In my opinion, SWEPCO's base rate revenue comparison distorts the effect of
9 SWEPCO's proposed base rate revenue increases on the rate classes. Under SWEPCO's
10 current rate schedules, it collects base rates plus recovers a portion of its test year
11 transmission and distribution costs in TCRF and DCRF charges. SWEPCO's proposed
12 base rates include the recovery of the transmission and distribution costs currently
13 recovered through TCRF and DCRF charges. In order to properly show the net effective
14 increase in base rate revenues, current base rate revenues should include both the base rate
15 revenues and the TCRF and DCRF revenues that are already reflected in the Company's
16 proposed base rates. This adjusted current base rate revenue amount is \$361,329,802.
17 While SWEPCO's gross increase in base rate revenues is \$105,026,238, or 30.31%, the net
18 effective increase in base rate revenues is \$90,199,736, or 24.96%.

19 For purposes of developing a proper revenue distribution, the lower net revenue
20 increase amounts should be used. My Exhibit JWD-4 shows the revised base rate revenue
21 and percent increases by rate class.

22 Q. DOES USE OF THE HIGHER GROSS BASE RATE REVENUE INCREASES
23 OVERSTATE THE LEVEL OF ANY GRADUALISM NEEDED TO TEMPER
24 COST-BASED REVENUE INCREASES FOR SOME RATE CLASSES?

25 A. Yes, it could do that.

1 **V. CORRECTION TO SWEPCO'S COST OF SERVICE STUDY**

2 **Q. ARE THERE ANY CORRECTIONS NEEDED TO SWEPCO'S CLASS COST OF**
3 **SERVICE STUDY ("COSS")?**

4 A. Yes. During discovery, an error in the COSS was identified which assigned too much cost
5 to the distribution primary function.

6 **Q. PLEASE DESCRIBE THE SPECIFIC CORRECTION THAT IS NEEDED.**

7 A. Nucor RFI No. 3-20 asked the following question:

8 Please refer to Schedule P-6, page 8 to 12. Please explain why and what
9 distribution secondary costs are allocated to the LP Primary rate class. Also,
10 explain why and what distribution primary and distribution secondary costs
11 are allocated to the Metal Melting Transmission customer class.

12
13 In its response to this RFI, SWEPCO states:

14 The distribution secondary plant costs allocated to the LP Primary rate class
15 are Land (FERC Account 360), Structures and Improvements (FERC
16 Account 361), and Station Equipment (FERC Account 362) and the
17 distribution operations and maintenance expenses associated with these
18 FERC plant accounts. These costs serve all customers and are not specific
19 to secondary or primary service.

20 Line Transformers (FERC Account 368) are incorrectly allocated to
21 primary service customers in the filed cost-of-service study. Only a portion
22 of this account should be allocated to primary service. This allocation will
23 be corrected in SWEPCO's rebuttal cost-of-service study.

24 No distribution primary or secondary plant costs are allocated to Metal
25 Melting Transmission customer class.

26
27 The results of this revision will decrease the cost of service of customers served at
28 distribution primary voltages and increase the cost of service of customers served at
29 distribution secondary voltages. A copy of SWEPCO's response to Nucor RFI No. 3-20
30 is provided as Exhibit No. JWD-5.

1 **VI. NUCOR'S RECOMMENDED REVENUE DISTRIBUTION**

2 **Q. ARE YOU PROPOSING TO SET ALL RATE CLASS REVENUE LEVELS EQUAL**
3 **TO THEIR COST OF SERVICE?**

4 A. I agree with SWEPCO that “ideally” all rate class revenues should recover their cost of
5 service. With the exception of three small rate classes, I am recommending that all rate
6 classes’ revenues be set equal to their cost of service. Cost based rates are more efficient
7 and send appropriate price signals to customers. Also, as previously discussed above,
8 setting these rate classes’ revenue levels equal to their cost of service does not result in any
9 base rate revenue percent increases that are greater than any base rate revenue percent
10 increases in SWEPCO’s proposed revenue distribution.

11 **Q. WHAT REVENUE LEVELS ARE YOU PROPOSING FOR THE THREE SMALL**
12 **RATE CLASSES THAT YOU MENTIONED?**

13 A. These three relatively small rate classes are Cotton Gin Service, Oilfield Secondary Service,
14 and Public Street and Highway Lighting Service. Historically, these three rate classes’
15 revenue levels have been well below their cost of service. Under their current rates,
16 SWEPCO is getting a negative return, i.e., they are losing money. Moving these three rate
17 classes’ revenues to their cost of service in one case would result in 79.6%, 85.5% and
18 195.2% base rate increases, respectfully. In order to limit these large rate increases,
19 gradualism should be applied. The base rate revenue increases for these three rate classes
20 should be limited to 1.5 times the average SWEPCO percent increase of 24.96%, or
21 37.44%. The revenue shortfall resulting from this gradualism should be proportionately
22 assigned to those rate classes that receive below average base rate revenue percent
23 increases.

24 **Q. WHAT IS THE RESULT OF YOUR PROPOSED REVENUE DISTRIBUTION**
25 **METHODOLOGY?**

1 A. I have shown the results of my proposed revenue distribution on Exhibit JWD-6.
2 Under Nucor's revenue distribution, the inter-class subsidies are reduced to \$421,839, as
3 compared to SWEPCO's proposed inter-class subsidies of \$6,047,984.

4 **Q. HAVE YOU ALSO CALCULATED THE RATE CLASS RELATIVE RATES OF**
5 **RETURN USING NUCOR'S PROPOSED REVENUE DISTRIBUTION?**

6 A. Yes. I have provided those rate class RRORs on my Exhibit JWD-7. This exhibit compares
7 the rate class RRORs under SWEPCO's current base rate revenues, SWEPCO's proposed
8 revenue distribution, and Nucor's proposed revenue distribution. As shown on this exhibit,
9 the rate class RRORs under Nucor's proposed revenue distribution are either equal to or
10 closer to unity in comparison to the rate class RRORs under SWEPCO's proposed revenue
11 distribution.

12 VII. SUMMARY AND CONCLUSIONS

13 **Q. PLEASE SUMMARIZE THE CONCLUSIONS YOU HAVE REACHED AND THE**
14 **RECOMMENDATIONS YOU ARE MAKING TO THE COMMISSION.**

15 A. I have reached the following conclusions and recommendations:

- 16 (1) SWEPCO's proposed revenue increase distribution to the rate classes will
17 prolong significant levels of inter-class subsidies.
- 18 (2) SWEPCO's proposed revenue distribution methodology is inconsistently
19 applied, is mostly unnecessary, and causes perverse results.
- 20 (3) SWEPCO's proposed revenue increase distribution should be rejected by
21 the Commission.
- 22 (4) Gradualism should only be applied for three relatively small rate classes
23 which reduces SWEPCO's proposed inter-class subsidies from \$6,047,984
24 to \$421,839.
- 25
26
27
28

1 (5) For purposes of determining the distribution of the proposed or approved
2 revenue increase, the current base rate revenues should include the TCRF
3 and DCRF revenues.
4

5 (6) The functionalization of the line transformers costs in SWEPCO's class cost
6 of service study assigns too much line transformers costs as primary
7 distribution voltage related and should be corrected.
8

9 (7) Nucor's proposed revenue distribution methodology should be approved.

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 **A. Yes.**

EXHIBIT JWD-1

List of Testimony, Affidavits, and Expert Reports Presented in Regulatory and Court

Proceedings by James W. Daniel

**LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED
IN REGULATORY AND COURT PROCEEDINGS BY
JAMES W. DANIEL**

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/1/1976	Federal Power Commission	ER76-530	Arizona Public Service Company
2/76	South Dakota Public Utility Commission	F-3055	Northwestern Public Service Company
5/79	Federal Energy Regulatory Commission	78-379, 380, 381, 382, 383	Indiana & Michigan Electric Company
11/80	New Mexico Public Service Commission	1627	Kit Carson Electric Cooperative (Direct Testimony)
6/81	Arizona Corporation Commission	9962-E-1032	Citizens Utilities Company
9/81	Federal Energy Regulatory Commission	ER81-179	Arizona Public Service Commission (Direct Testimony)
3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company
4/2/1984	Public Utility Commission of Texas	5560	Gulf States Utility Company (Direct Testimony)
7/3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company (Direct Testimony)
11/15/1984	Texas Public Utility Commission	5709	Texas Utilities Electric Company (Direct Testimony)
1/85	Federal Energy Regulatory Commission	ER84-568-000	Gulf States Utilities Company (Direct Testimony)
11/20/1985	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company (Direct Testimony)
1/7/86	Louisiana Public Service Commission	U-16510	Central Louisiana Electric Company (Direct Testimony)
3/10/86	Texas Public Utility Commission	6677	Texas Utilities Electric Company
3/14/86	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company Rebuttal and Surrebuttal Testimony)
6/20/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Direct Testimony)
7/15/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Supplemental Direct Testimony)

**LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED
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JAMES W. DANIEL**

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
3/7/90	Texas Public Utility Commission	9165	El Paso Electric Company (Direct Testimony)
4/12/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Revenue Requirements Phase)
5/1/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Phase II - Rate Design)
7/6/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Supplemental Testimony - Revenue Requirements)
7/10/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Direct Testimony - Rate Design)
7/30/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony - Rate Design)
8/23/90	Texas Public Utility Commission	9561	Central Power & Light Company (Direct Testimony - Rate Design)
1/11/91	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony)
9/24/91	Texas Public Utility Commission	10404	Guadalupe Valley Electric Cooperative (Direct Testimony)
12/91	Rate Area 2&3 Nebraska Municipalities	N/A	Peoples Natural Gas Company
7/31/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
8/7/92	State Corporation Commission of Kansas	180,416-U	Peoples Natural Gas Company (Direct Testimony)
9/8/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
9/92	Texas Public Utility Commission	10894	Gulf States Utilities Company (Direct Testimony)
5/93	Texas Public Utility Commission	11735	Texas Utilities Electric Company (Rebuttal Testimony)
6/93	Texas Public Utility Commission	11892	Generic Proceeding Regarding Purchased Power (Direct Testimony)

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JAMES W. DANIEL**

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
09/08/93	State Corporation Commission of Kansas	186,363-U	KN Energy (Direct Testimony)
09/94	State Corporation Commission of Kansas	190,362-U	Kansas Natural Pipeline and Kansas Natural Partnership (Direct Testimony)
10/17/94	Texas Public Utility Commission	12820	Central Power and Light Company (Direct Testimony)
11/15/1994	City of Houston	NA	Houston Lighting and Power Company (Direct Testimony)
11/15/1994	Texas Public Utility Commission	12065	Houston Lighting and Power Company (Direct Testimony - Revenue Requirements Phase)
12/12/1994	Texas Public Utility Commission	12820	Central Power & Light Company (Supplemental Testimony)
1/10/1995	Texas Public Utility Commission	12065	Houston Lighting & Power Company (Direct Testimony - Rate Design Phase)
5/23/95	Federal Energy Regulatory Commission	TX94-4-000	Texas Utilities Electric Company and Southwestern Electric Service (Affidavit)
8/7/95	Texas Public Utility Commission	13369	West Texas Utilities Company Rebuttal Testimony - Rate Design Phase)
10/31/95	Texas Public Utility Commission	14435	Southwestern Electric Power Company (Direct Testimony)
11/95	Rate Area 3 Nebraska Municipalities	N/A	Peoples Natural Gas Company (Municipal Report)
02/07/96	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Affidavit)
5/15/96	Texas Public Utility Commission	14965	Central Power & Light Company (Direct Testimony)
5/29/1996	Texas Public Utility Commission	14965	Central Power & Light Company (Rebuttal Testimony)
07/19/96	Texas Public Utility Commission	15766	City of Bryan, Texas (Direct Testimony)
8/29/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
08/07/96	State of Illinois Commerce Commission	96-0245 & 96-0248	Commonwealth Edison Company (Direct Testimony)
09/06/96	Texas Public Utility Commission	15643	Central Power & Light Company and West Texas Utilities Company (Direct Testimony)
9/17/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Rebuttal Testimony)
09/18/96	Texas Public Utility Commission	15638	Texas Utilities Electric Company (Direct Testimony)
10/22/96	Texas Natural Resource Conservation Commission	96-0652-UCR	Longbranch Associates, L P (Direct Testimony)
08/05/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company (Direct Testimony)
08/06/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony)
08/25/97	Texas Public Utility Commission	16705	Entergy Texas (Rebuttal Testimony - Rate Design Phase)
09/23/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company Surrebuttal Testimony
09/30/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony - Competitive Issues Phase)
12/97	United States Tax Court	7685-96 and 4979-97	Lykes Energy, Inc (Report)
12/97	Condemnation Court Appointed by the Supreme Court of Nebraska	13880	Peoples Natural Gas
12/1/1997	Condemnation Court Appointed by the Supreme Court of Nebraska	NA	Peoples Natural Gas Company (Report to City of Wahoo, Nebraska)
8/1/1998	Condemnation Court Appointed by the Supreme Court of Nebraska	101	Peoples Natural Gas (Report to City of Scribner, Nebraska)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
10/98	Federal Energy Regulatory Commission	EL-99-6-000	Entergy Gulf States, Inc (Affidavit)
10/19/1998	Federal Energy Regulatory Commission	TX98-	Gulf States Utilities Company (Affidavit)
12/31/1998	Texas Public Utility Commission	20292	Sharyland Utilities, L P (Direct Testimony)
3/11/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L P (Supplemental Testimony)
4/30/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L P (Rebuttal Testimony)
7/16/1999	Texas Public Utility Commission	19265	Central and South West Corporation and American Electric Power Company, Inc (Direct Testimony)
11/1/1999	Texas Public Utility Commission	21591	Sharyland Utilities, L P (Direct Testimony)
11/24/1999	Texas Public Utility Commission	21528	Central Power and Light Company (Direct Testimony)
1/27/2000	Texas Railroad Commission	8976	Texas Utilities Company Lone Star Pipeline (Direct Testimony)
3/31/2000	Texas Public Utility Commission	22348	Sharyland Utilities, L P (Direct Testimony)
08/2000	Texas Public Utility Commission	20624	Reliant Energy HL&P (Direct Testimony)
10/16/2000	Texas Public Utility Commission	22344	Generic Issues Associated with Unbundled Cost of Service Rate (Direct Testimony)
10/23/2000	Texas Public Utility Commission	21956	Reliant Energy, Inc (Direct Testimony)
11/14/2000	Texas Public Utility Commission	22350	TXU Electric Company (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/17/2000	Texas Public Utility Commission	22352	Central Power and Light Company (Direct Testimony)
12/12/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct - Final Phase) (Direct Testimony)
12/21/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct Testimony - Rate Case Expense Phase)
12/29/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Supplemental & Rebuttal Testimonies)
7/5/2001	Texas Public Utility Commission	23950	Reliant Energy (Direct Testimony)
9/6/2001	Texas Public Utility Commission	24239	Mutual Energy CPL, LP (Direct Testimony)
4/22/2002	State Corporation Commission of Kansas	02-WSRE-301-RTS	Western Resources, Inc and Kansas Gas and Electric Company (Direct Testimony)
6/19/2002	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Direct Testimony)
8/5/2002	Oklahoma Corporation Commission	200100455	Oklahoma Gas and Electric Company (Responsive Testimony)
12/31/2002	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
4/24/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Rebuttal Testimony)
6/9/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Supplemental Direct Testimony)
7/11/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc (Direct Testimony)
8/11/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Second Supplemental Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/18/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc (Supplemental Testimony)
10/29/2003	Federal Energy Regulatory Commission	ER04-35-000	Entergy Services, Inc (Affidavit)
11/5/2003	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Supplemental Direct Testimony)
2/9/2004	Texas Public Utility Commission	28840	AEP Texas Central Company (Direct Testimony)
6/1/2004	Texas Public Utility Commission	29526	CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC, and Texas Genco, LP (Direct Testimony)
8/19/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Affidavit)
8/30/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Direct Testimony)
1/7/2005	Texas Public Utility Commission	30485	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
3/16/2005	Texas Public Utility Commission	30706	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
6/9/2005	Texas Public Utility Commission	29801	Southwestern Public Service Company (Direct Testimony)
9/2/2005	Texas Public Utility Commission	31056	AEP Texas Central Company and CPL Retail Energy, LP (Direct Testimony)
9/9/2005	State Corporation Commission of Kansas	05-WSEE-981-RTS	Westar Energy, Inc and Kansas Gas and Electric Company (Direct Testimony)
9/29/2005	Georgia Public Service Commission	20298-U	Atmos Energy Corporation (Direct Testimony)
4/24/2006	Texas Public Utility Commission	32475	AEP Texas Central Company (Cross Answering Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/11/2006	Texas Public Utility Commission	32093	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
8/23/2006	Texas Public Utility Commission	32795	Reallocation of Stranded Costs Pursuant to PURA §139 253(f) (Direct Testimony)
8/24/2006	Texas Public Utility Commission	32758	AEP Texas Central Company (Direct Testimony)
12/22/2006	Texas Public Utility Commission	32766	Southwestern Public Service Company (Direct Testimony)
3/13/2007	Texas Public Utility Commission	33309	AEP Texas Central Company (Direct Testimony)
3/19/2007	State Corporation Commission of Kansas	07-AQLG-431-RTS	Aquila Networks-KGO (Direct Testimony)
4/27/2007	Texas Public Utility Commission	33687	Entergy Gulf States, Inc (Direct Testimony)
7/11/2007	Texas Public Utility Commission	33823	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
7/13/2007	Texas Public Utility Commission	33687	East Texas Cooperatives (Supplemental Testimony)
1/11/2008	Texas Public Utility Commission	35219	Guadalupe Valley Electric Cooperative, Inc (Direct Testimony)
1/29/2008	Texas Public Utility Commission	35287	Sharyland Utilities, L P (Direct Testimony)
7/1/2008	Georgia Public Service Commission	27163	Atmos Energy Corporation (Direct Testimony)
9/16/2008	Texas Public Utility Commission	34442	JD Wind (Direct Testimony)
9/29/2008	State Corporation Commission of the State of Kansas	08-WSEE-1041-RTS	Westar Energy, Inc and Kansas Gas and Electric Company (Direct Testimony)
10/13/2008	Texas Public Utility Commission	35763	Southwestern Public Services Company (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/26/2008	Texas Public Utility Commission	35717	Oncor Electric Delivery Company (Direct Testimony)
6/26/2009	State Corporation Commission of the State of Kansas	09-WSEE-641-GIE	Westar Energy, Inc and Kansas Gas and Electric Company (Direct Testimony)
6/29/2009	Texas Public Utility Commission	36918	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/30/2009	State Corporation Commission of the State of Kansas	09-WSEE-925-RTS	Westar Energy, Inc and Kansas Gas and Electric Company (Direct Testimony)
7/10/2010	Pennsylvania Public Utility Commission	R-2010-2161575, et al	PECO Energy Company (Direct Testimony)
9/3/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Direct Testimony)
9/10/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/24/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Cross-Rebuttal Testimony)
9/27/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Cross-Rebuttal Testimony)
11/5/2010	Texas Public Utility Commission	38577	Modification of CREZ Transmission Plan (Direct Testimony)
2/4/2011	Texas Railroad Commission	GUD 10038	CenterPoint Energy Texas Gas (Direct Testimony)
3/1/2011	Texas Public Utility Commission	39070	Sharyland Utilities, L P (Direct Testimony)
10/19/2011	Texas Public Utility Commission	39856	Guadalupe Valley Electric Cooperative (Direct Testimony)
5/1/2012	Texas Public Utility Commission	40364	Sharyland Utilities, L P (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
5/15/2012	Delaware Public Service Commission	11-528	Delmarva Power & Light Company (Direct Testimony)
11/2/2012	Florida Public Service Commission	120015-EI	Florida Power & Light Company (Direct Testimony)
2/20/2013	Texas Public Utility Commission	40627	Westlake United Methodist Church (Cross-Rebuttal Testimony)
4/30/2013	Texas Public Utility Commission	41438	Sharyland Utilities, L P (Direct Testimony)
5/31/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L P (Direct Testimony)
8/27/2013	Texas Public Utility Commission	41794	Sharyland Utilities, L P (Direct Testimony)
11/7/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L P (Rebuttal Testimony)
1/2/2014	Texas Public Utility Commission	42133	Sharyland Utilities, L P (Direct Testimony)
1/9/2014	Michigan Public Service Commission	U-17437	DTE Electric Company (Direct Testimony)
5/19/2014	Public Service Commission of West Virginia	14-0344-E-GI	SWVA, Inc (Direct Testimony)
6/17/2014	Texas Public Utility Commission	42087	The Hillwood Group (Direct Testimony)
7/23/2014	Texas Public Utility Commission	42699	Sharyland Utilities, L P (Direct Testimony)
8/6/2014	Virginia State Corporation Commission	2014-00026	Steel Dynamics, Inc (Direct Testimony)
8/15/2014	Texas Public Utility Commission	42767	Sharyland Utilities, L P (Direct Testimony)
12/18/2014	Public Service Commission of West Virginia	14-1152-E-42T	SWVA, Inc (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/23/2015	Texas Public Utility Commission	44361	Sharyland Utilities, L P (Direct Testimony)
2/10/2015	Texas Public Utility Commission	44438	Sharyland Utilities, L P (Direct Testimony)
4/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L P (Direct Testimony)
5/13/2015	Regulatory Commission of Alaska	U-14-111	Municipal Light & Power, Municipality of Anchorage (Direct Testimony)
5/19/2015	West Virginia Public Service Commission	15-0301-E-GI	SWVA, Inc (Direct Testimony)
6/15/2015	Oregon Public Utility Commission	UE 294	Industrial Customers of Northwest Utilities (Direct Testimony)
9/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L P (Rebuttal Testimony)
10/23/2015	Oklahoma Corporation Commission	201500208	Public Service Company of Oklahoma (Responsive Testimony)
12/11/2015	Texas Public Utility Commission	44941	The Rate 41 Group (Direct Testimony)
1/11/2016	Texas Public Utility Commission	44941	The Rate 41 Group (Supplemental Testimony)
3/21/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
3/31/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
4/20/2016	Texas Public Utility Commission	45875	Sharyland Utilities, L P (Direct Testimony)
4/29/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L P (Direct Testimony)
6/29/2016	West Virginia Public Service Commission	15-1734-E-T-PC	SWVA, Inc (Direct Testimony)
8/4/2016	Texas Public Utility Commission	46236	Sharyland Utilities, L P (Direct Testimony)
12/6/2016	Texas Public Utility Commission	46042	City of Lubbock (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/28/2016	Texas Public Utility Commission	46710	Guadalupe Valley Electric Cooperative, Inc (Direct Testimony)
12/30/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L P & SDTS, LLC (Direct Testimony)
2/7/2017	Regulatory Commission of Alaska	U-16-066	ENSTAR Natural Gas Company (Responsive Testimony)
3/7/2017	Texas Public Utility Commission	45414	Sharyland Utilities, L P & SDTS, LLC (Rebuttal Testimony)
4/6/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Direct Testimony)
4/27/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Rebuttal Testimony)
6/23/2017	Texas Public Utility Commission	46831	Rate 41 Group (Direct Testimony)
7/21/2017	Texas Public Utility Commission	46831	Rate 41 Group (Cross Rebuttal Testimony)
10/2/2017	Texas Public Utility Commission	46936	Golden Spread Electric Cooperative, Inc (Direct Testimony)
10/7/2017	Texas Public Utility Commission	47576	City of Lubbock (Direct Testimony)
12/4/2017	Texas Public Utility Commission	47461	ETEC/NTEC (Direct Testimony)
1/4/2018	Texas Public Utility Commission	47576	City of Lubbock (Rebuttal Testimony)
6/29/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Rebuttal Testimony)
8/6/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Surrebuttal Testimony)
1/14/2019	Railroad Commission of Texas	10779	Atmos Texas Municipalities Coalition (Direct Testimony)
10/28/2019	Texas Public Utility Commission	49849	Rate 41 Group (Direct Testimony)
11/14/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Direct Testimony)

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DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/13/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Rebuttal Testimony)
1/6/2020	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Surrebuttal Rebuttal Testimony)
1/14/2020	Texas Public Utility Commission	49737	ETEC/NTEC (Direct Testimony)
2/13/2020	Federal Energy Regulatory Commission	RP19-1353	Northern Municipal Distributors Group/Midwest Region Gas Task Force Association (Answering Testimony)
03-32-2021	Texas Public Utility Commission	51611	Sharyland Utilities, L.L.C (Direct Testimony)

EXHIBIT JWD-2
Historical Class Relative Rates of Return

HISTORICAL CLASS RELATIVE RATES OF RETURN

LINE NO.	CUSTOMER GROUP	VOLTAGE LEVEL	Dkt 51415 3/31/2020 PRESENT RELATIVE RATE OF RETURN	Dkt 51415 3/31/2020 PROPOSED RELATIVE RATE OF RETURN	Dkt 46449 6/30/2016 PRESENT RELATIVE RATE OF RETURN	Dkt 46449 6/30/2016 PROPOSED RELATIVE RATE OF RETURN	Dkt 40443 12/31/2011 PRESENT RELATIVE RATE OF RETURN	Dkt 40443 12/31/2011 PROPOSED RELATIVE RATE OF RETURN	Dkt 37364 3/31/2009 PRESENT RELATIVE RATE OF RETURN	Dkt 37364 3/31/2009 PROPOSED RELATIVE RATE OF RETURN
			(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	RESIDENTIAL	SEC	1.06	1.00	1.18	1.00	1.19	1.00	1.03	0.98
2	GENERAL SERVICE W/DEM	SEC	1.24	1.14	0.62	1.03	1.43	1.09	1.54	0.98
3	GENERAL SERVICE WO/DEM	SEC	0.66	1.04	0.79	0.91	0.87	0.79	1.04	0.50
4	GENERAL SERVICE	PRI	n/a	n/a	2.57	2.38	3.41	0.91	1.52	0.61
5	LIGHTING & POWER	SEC	0.83	0.94	1.38	1.08	0.86	1.03	1.01	1.10
6	LIGHTING & POWER	PRI	1.47	1.33	0.41	0.82	0.66	0.88	0.91	1.05
7	LIGHTING & POWER	TRAN	n/a	n/a	4.79	2.60	1.42	1.42	1.95	1.99
8	COTTON GIN	SEC	(0.50)	0.22	(1.79)	0.24	(0.78)	(0.09)	(0.56)	0.64
9	TOTAL COMMERCIAL		0.95	1.02	1.12	1.04	0.87	1.00	1.04	1.05
10	LARGE LIGHTING & POWER	PRI	1.02	1.05	(0.74)	0.64	0.20	0.50	0.45	0.66
11	LARGE LIGHTING & POWER	TRAN	0.84	0.88	0.49	1.09	1.56	1.46	0.55	0.72
12	METAL MELTING - SEC	SEC	0.66	0.92	2.91	2.12	n/a	n/a	n/a	n/a
13	METAL MELTING - PRI	PRI	0.67	0.92	(1.00)	0.59	0.35	0.63	0.50	(0.07)
14	METAL MELTING - TRANS	69 TRAN	1.94	1.65	6.47	2.19	1.42	1.41	2.40	0.95
15	OILFIELD PRIMARY	PRI	0.86	0.98	(0.80)	0.67	1.05	1.14	1.55	0.73
16	OILFIELD SECONDARY	SEC	(0.15)	0.34	(0.80)	0.67	n/a	n/a	n/a	n/a
17	TOTAL INDUSTRIAL		0.87	0.93	(0.08)	0.89	0.91	1.01	0.67	0.69
18	TOTAL COMMERCIAL & INDUSTRIAL		0.93	1.00						
19	MUNICIPAL PUMPING	SEC	1.41	0.91	0.18	1.06	0.83	0.98	0.91	0.68
20	MUNICIPAL SERVICE	SEC	2.32	1.38	0.04	0.92	2.07	1.04	2.78	2.05
21	TOTAL MUNICIPAL PUMPING & SERVICE		1.75	1.09						
22	MUNICIPAL LIGHTING	SEC	1.44	0.92	1.69	1.07	0.77	1.09	0.81	0.61
23	PUBLIC STREET & HWY	SEC	(1.50)	(0.57)	(3.05)	(0.48)	(1.41)	(0.52)	(1.21)	(0.86)
24	TOTAL MUNICIPAL LIGHTING		1.34	0.87						
25	TOTAL MUNICIPAL & MUNICIPAL LIGHTING		1.58	1.00	0.12	1.00	1.19	1.00	1.67	1.24
26	PRIVATE, OUTDOOR, AREA	SEC	1.38	1.00	2.97	1.00	0.91	1.02	0.24	1.36
27	CUST-OWNED LIGHTING	SEC	0.65	1.00	1.12	0.99	0.19	0.46	(0.53)	0.66
28	TOTAL LIGHTING		1.33	1.00	2.36	1.00	0.79	1.00	0.42	1.05
29	TOTAL FIRM RETAIL		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

EXHIBIT JWD-3

SWEPCO's Response to Nucor RFI No. 5-2

SOAH DOCKET NO. 473-21-0538

PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO NUCOR STEEL
LONGVIEW, LLC'S FIFTH REQUEST FOR INFORMATION**

Question No. NUCOR 5-2:

Refer to SWEPCO's response to Nucor 2-6. Please explain how grouping the Commercial and Industrial customer classes into one large rate class "facilitate[s] sustainable migration among the customer classes within a family of rate options."

Response No. NUCOR 5-2:

Applying a combined Commercial & Industrial rate change to rate schedules and customer classes that have optional rates and migration possibilities within the C&I class preserves the rate differentials between the optional rates sustaining migration based upon those rate differentials.

Prepared By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

Sponsored By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

EXHIBIT JWD-4

Nucor's Revised Calculation of SWEPCO's Proposed Base Revenues Increases

Nucor's Revised Calculation of SWEPCO's Proposed Base Revenues Increases

(a) Line No.	(b) TARIFF DESCRIPTION	(c) RATE CODE	(d) Voltage Type	(e) PRESENT ADJUSTED BASE REVENUE WITH TCRF / DCRF RIDER REVENUE	(f) SWEPCO PROPOSED BASE REVENUE	(g) = (f) - (e) REVISED SWEPCO PROPOSED BASE REVENUE INCREASE *	(h) REVISED PROPOSED SWEPCO BASE REVENUE INCREASE %
1	Residential	12,15,16,19,37,61	Sec	\$ 153,227,969	\$ 188,152,651	\$ 34,924,682	22 79%
2	General Service No Demand	202,208,218,219	Sec	\$ 5,875,817	\$ 7,538,872	\$ 1,663,055	28 30%
3	General Service With Demand	200,205,207,210-215,224,281	Sec	\$ 17,638,468	\$ 22,604,240	\$ 4,965,772	28 15%
4	Light & Power Sec	60,63,240,241,243,291	Sec	\$ 104,243,548	\$ 133,028,403	\$ 28,784,855	27 61%
5	Light & Power Pri	66,246,249,251,252,254,277	Pri	\$ 24,896,460	\$ 31,685,778	\$ 6,789,319	27 27%
6	Oilfield Pri	330	Pri	\$ 11,134,950	\$ 14,144,147	\$ 3,009,196	27 02%
7	Oilfield Sec	331	Sec	\$ 591,392	\$ 783,044	\$ 191,652	32 41%
8	Cotton Gin	253	Sec	\$ 283,787	\$ 353,214	\$ 69,427	24 46%
9	Metal Melting Service Dist Pri	325	Pri	\$ 1,496,310	\$ 1,865,505	\$ 369,194	24 67%
10	Metal Melting Service Dist Sec	335	Sec	\$ 151,026	\$ 191,156	\$ 40,130	26 57%
11	Metal Melting Service Trans	318,321	138-T	\$ 1,672,408	\$ 1,993,259	\$ 320,851	19 18%
12	Large Light & Power Trans	342,344	69-T	\$ 23,470,723	\$ 29,771,107	\$ 6,300,384	26 84%
13	Large Light & Power Pri	351	Sub	\$ 5,538,446	\$ 7,045,359	\$ 1,506,913	27 21%
14	Total Commercial & Industrial			\$ 196,993,335	\$ 251,004,083	\$ 54,010,748	27 42%
15	Municipal Pumping	541,543,550,553	Sec	\$ 2,390,468	\$ 2,586,729	\$ 196,261	8 21%
16	Municipal Service	544,548	Sec	\$ 1,701,604	\$ 1,872,771	\$ 171,167	10 06%
17	Total Municipal Service			\$ 4,092,072	\$ 4,459,500	\$ 367,428	8 98%
18	Municipal Street Lighting	521,528,529,535,538	Sec	\$ 2,351,444	\$ 2,572,829	\$ 221,385	9 41%
19	Public Street and Highway Lighting	534,539,739	Sec	\$ 33,447	\$ 34,239	\$ 792	2 37%
20	Total Municipal Street Lighting			\$ 2,384,890	\$ 2,607,068	\$ 222,177	9 32%
21	Total Municipal Service and Street Lighting			\$ 6,476,962	\$ 7,066,568	\$ 589,605	9 10%
22	Customer Owned Lighting	203,204,532	Sec	\$ 324,093	\$ 403,663	\$ 79,570	24 55%
23	Private/Outdoor/Area Lighting	90-143	Sec	\$ 4,307,444	\$ 4,902,574	\$ 595,130	13 82%
24	Total Private/Outdoor/Area and Customer-owned Lighting			\$ 4,631,537	\$ 5,306,237	\$ 674,700	14 57%
25							
26	Total			\$ 361,329,802	\$ 451,529,538	\$ 90,199,736	24 96%

27 * In SWEPCO's rate design, \$504,500 target base revenue from General Service With Demand was transferred to General Service No Demand proposed base revenue. This results in a 36 89% proposed base revenue increase for General Service With Demand and a 25 29% proposed base revenue increase for General Service No Demand.

EXHIBIT JWD-5

SWEPCO's Response to Nucor RFI No. 3-20

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO NUCOR STEEL
LONGVIEW, LLC's THIRD REQUEST FOR INFORMATION**

Question No. Nucor 3-20:

Please refer to Schedule P-6, page 8 of 12. Please explain why and what distribution secondary costs are allocated to the LP Primary rate class. Also, explain why and what distribution primary and distribution secondary costs are allocated to the Metal Melting Transmission customer class.

Response No. Nucor 3-20:

The distribution secondary plant costs allocated to the LP Primary rate class are Land (FERC Account 360), Structures and Improvements (FERC Account 361), and Station Equipment (FERC Account 362) and the distribution operations and maintenance expenses associated with these FERC plant accounts. These costs serve all customers and are not specific to secondary or primary service.

Line Transformers (FERC Account 368) are incorrectly allocated to primary service customers in the filed cost-of-service study. Only a portion of this account should be allocated to primary service. This allocation will be corrected in SWEPCO's rebuttal cost-of-service study.

No distribution primary or secondary plant costs are allocated to Metal Melting Transmission customer class.

Prepared By: Earlyne T. Reynolds

Title: Reg Pricing & Analysis Mgr

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

EXHIBIT JWD-6

Nucor's Recommended Revenue Distribution

Nucor's Recommended Revenue Distribution

Line No.	Rate Class	Current Base Rate Revenue w/ TCRF & DCRF	Nucor's Recommended Base Rate Revenue Distribution*	Nucor's Recommended Base Rate Revenue Distribution Increase*		SWEPCO's Proposed Base Rate Revenue at Equalized ROR	Inter-class Subsidies Under Nucor's Revenue Distribution
				Amount	Percent		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (d) - (g)
1	Residential	\$ 153,227,969	\$ 188,512,249	\$ 35,284,281	23.03%	\$ 188,152,651	\$ 359,599
2	GS W Demand	17,638,468	20,919,312	3,280,844	18.60%	20,885,283	34,029
3	GS WO Demand	5,875,817	7,916,452	2,040,634	34.73%	7,916,452	-
4	Total General Service	23,514,285	28,835,764	5,321,478	22.63%	28,801,735	34,029
5	Light & Power Sec	104,243,548	136,386,746	32,143,198	30.83%	136,386,746	-
6	Light & Power Pri	24,896,460	27,833,715	2,937,256	11.80%	27,798,948	34,767
7	Total Light & Power	129,140,007	164,220,461	35,080,454	27.16%	164,185,694	34,767
8	Cotton Gin	283,787	390,051	106,264	37.44%	509,697	(119,646)
9	Oil Field Pri	11,134,950	14,279,659	3,144,708	28.24%	14,279,659	-
10	Oil Field Sec	591,392	812,838	221,446	37.44%	1,096,805	(283,967)
11	Metal Melting Sec	151,026	196,954	45,928	30.41%	196,954	-
12	Metal Melting Pri	1,496,310	1,929,359	433,049	28.94%	1,929,359	-
13	Total LP, Oil Field, Cotton Gin, MMS Dist.	142,797,473	181,829,322	39,031,849	27.33%	182,198,167	(368,846)
14	Large Light & Power Pri	5,538,446	6,902,347	1,363,901	24.63%	6,888,425	13,923
15	Large Light & Power Tran	23,470,723	31,535,364	8,064,641	34.36%	31,535,364	-
16	Metal Melting Trans	1,672,408	1,581,106	(91,302)	-5.46%	1,580,393	713
17	Total Large Light & Power & MMS Tran.	30,681,577	40,018,817	9,337,240	30.43%	40,004,181	14,636
18	Municipal Pumping	2,390,468	2,683,880	293,412	12.27%	2,680,369	3,511
19	Municipal Service	1,701,604	1,622,534	(79,070)	-4.65%	1,622,774	(240)
20	Total Municipal Service	4,092,072	4,306,414	214,342	5.24%	4,303,143	3,271
21	Municipal Lighting	2,351,444	2,668,182	316,738	13.47%	2,664,701	3,481
22	Public Street & Highway Lighting	33,447	45,971	12,524	37.44%	98,724	(52,753)
23	Total Municipal & Street Lighting	2,384,890	2,714,153	329,262	13.81%	2,763,424	(49,272)
24	Private Area Lighting	4,307,444	4,909,157	601,713	13.97%	4,902,574	6,583
25	Customer-Owned Lighting	324,093	403,663	79,570	24.55%	403,663	-
26	Total Private/Customer-Owned Lighting	4,631,537	5,312,820	681,283	14.71%	5,306,237	6,583
27	Total Company	\$ 361,329,802	\$ 451,529,538	\$ 90,199,736	24.96%	\$ 451,529,538	\$ (0)

* At SWEPCO's proposed base rate revenue requirement level

EXHIBIT JWD-7

**Comparison of Relative Rates of Return Under SWEPCO's and Nucor's Proposed
Revenue Distributions**

COMPARISON OF RELATIVE RATES OF RETURN UNDER SWEPKO'S AND NUCOR'S PROPOSED REVENUE DISTRIBUTIONS

LINE NO.	CUSTOMER GROUP	VOLTAGE LEVEL	Dkt 51415 PRESENT	Dkt 51415 SWEPKO'S PROPOSED REVENUE DISTRIBUTION	Dkt 51415 NUCOR'S PROPOSED REVENUE DISTRIBUTION
			RELATIVE RATE OF RETURN	RELATIVE RATE OF RETURN	RELATIVE RATE OF RETURN
(a)	(b)	(c)	(d)	(e)	(f)
1	RESIDENTIAL	SEC	1.06	1.00	1.00
2	GENERAL SERVICE W/DEM	SEC	1.24	1.14	1.00
3	GENERAL SERVICE WO/DEM	SEC	0.66	1.04	1.00
4	LIGHTING & POWER	SEC	0.83	0.94	1.00
5	LIGHTING & POWER	PRI	1.47	1.33	1.01
6	COTTON GIN	SEC	(0.50)	0.22	0.44
7	TOTAL COMMERCIAL		0.95	1.02	0.99
8	LARGE LIGHTING & POWER	PRI	1.02	1.05	1.01
9	LARGE LIGHTING & POWER	TRAN	0.84	0.88	1.00
10	METAL MELTING - SEC	SEC	0.66	0.92	1.00
11	METAL MELTING - PRI	PRI	0.67	0.92	1.00
12	METAL MELTING - TRANS	69 TRAN	1.94	1.65	1.01
13	OILFIELD PRIMARY	PRI	0.86	0.98	1.01
14	OILFIELD SECONDARY	SEC	(0.15)	0.34	0.44
15	TOTAL INDUSTRIAL		0.87	0.93	0.99
16	TOTAL COMMERCIAL & INDUSTRIAL		0.93	1.00	1.00
17	MUNICIPAL PUMPING	SEC	1.41	0.91	1.01
18	MUNICIPAL SERVICE	SEC	2.32	1.38	1.00
19	TOTAL MUNICIPAL PUMPING & SERVICE		1.75	1.09	0.98
20	MUNICIPAL LIGHTING	SEC	1.44	0.92	1.00
21	PUBLIC STREET & HWY	SEC	(1.50)	(0.57)	(0.21)
22	TOTAL MUNICIPAL LIGHTING		1.34	0.87	0.96
23	TOTAL MUNICIPAL & MUNICIPAL LIGHTING	SEC	1.58	1.00	0.99
24	PRIVATE, OUTDOOR, AREA	SEC	1.38	1.00	1.00
25	CUST-OWNED LIGHTING	SEC	0.65	1.00	1.00
26	TOTAL LIGHTING		1.33	1.00	0.99
27	TOTAL FIRM RETAIL		1.00	1.00	1.00